

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Sebewaing Township	County Huron
Fiscal Year End March 31, 2007	Opinion Date August 8, 2007	Date Audit Report Submitted to State September 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES ☒ NO ☐

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other reports required	
Certified Public Accountant (Firm Name) Nietzke & Faupel, PC		Telephone Number (989) 883-3122	
Street Address 41 East Main Street		City Sebewaing	State MI
Authorizing CPA Signature 		Printed Name JoAnn Lakie	Zip 48759
		License Number 1101017493	

**TOWNSHIP OF SEBEWAING  
HURON COUNTY, MICHIGAN  
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2007**

# **TOWNSHIP OF SEBEWAING**

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CPA's On Your Team

## INDEPENDENT AUDITOR'S REPORT

Honorable Township Board Members  
Township of Sebewaing  
Sebewaing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sebewaing, Huron County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages ii through iii and 19 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Nietzke & Faupel P.C.*  
NIETZKE & FAUPEL, P.C.  
SEBEWAING, MICHIGAN

August 8, 2007

-i-

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Sebewaing Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

The following points represent the most significant financial highlights for the year ended March 31, 2007. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund increased from \$651,358 to \$722,433 during the past year. This is a increase of \$71,075.
- State Revenue Sharing payments for the year totaled \$76,183. This was \$183 higher than the budgeted amount of \$76,000. For comparison, the State Revenue Sharing payments for fiscal year 2005-06 totaled \$76,943.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

### **The Township as a Whole**

The following table shows a condensed view of the net assets as of March 31:

	Governmental Activities	
	2007	2006
Current assets	\$1,182,789	\$1,094,911
Noncurrent assets	757,239	818,965
Total assets	<u>\$1,940,028</u>	<u>\$1,913,876</u>
Current liabilities	\$ 47,068	\$ 41,659
Total liabilities	<u>\$ 47,068</u>	<u>\$ 41,659</u>
Net assets:		
Invested in capital assets	\$ 689,191	\$ 749,255
Unrestricted	1,203,769	1,122,962
Total net assets	<u>\$1,892,960</u>	<u>\$1,872,217</u>

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$1,203,769. This is approximately 63% of the net assets for governmental activities.

The following table shows the changes of the net assets during the years ended March 31:

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenue:		
Program revenues:		
Charges for services	\$ 133,143	\$ 129,207
Operating grants & contributions	5,723	9,514
Capital grants & contributions	6,842	7,646
General revenues:		
Property taxes	547,646	529,417
State shared revenues	76,183	76,943
Unrestricted investment earnings	44,397	15,755
Miscellaneous	<u>12,210</u>	<u>21,150</u>
Total revenues	<u>826,143</u>	<u>789,632</u>
Expenses:		
General government	169,329	148,323
Public safety	187,007	185,148
Highways & public improvements	356,067	196,483
Library	92,998	96,956
Contribution to other government unit		<u>67,098</u>
Total expenses	<u>805,401</u>	<u>694,008</u>
Change in net assets	20,742	95,624
Net assets - Beginning	<u>1,872,217</u>	<u>1,776,593</u>
Net assets - Ending	<u>\$1,892,960</u>	<u>\$1,872,217</u>

### **Capital Assets**

As of March 31, 2007, Sebewaing Township had a total of \$689,191 (net of depreciation) invested in capital assets including land, building, and equipment.

### **Economic Factors and Next Years Budgets**

The fiscal year budget for 2007-08 is at \$801,075, which is \$16,060 less than the 2006-07 fiscal year of \$817,135. In comparsion the road fund had projects totaling \$345,800 for the fiscal year 2006-07 and the budget for 2007-08 road projects planned and budgeted amount to \$333,300.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Willet Osechger, Supervisor, or Kurt Bach, Township Clerk, P.O. Box 687, Sebewaing, MI 48759.

**TOWNSHIP OF SEBEWAING**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2007**

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash	\$ 1,131,832
Taxes receivable	18,011
Accounts receivable	32,817
Allowance for doubtful accounts	(28,069)
Prepaid insurance	<u>28,199</u>
Total current assets	<u>1,182,789</u>
Noncurrent assets:	
Investment in Sebewaing Harbor Commission	68,048
Nondepreciated assets	25,984
Capital assets	1,574,245
Less accumulated depreciation	<u>(911,038)</u>
Total noncurrent assets	<u>757,239</u>
<b>TOTAL ASSETS</b>	<u><u>1,940,028</u></u>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	47,068
<b>TOTAL LIABILITIES</b>	<u><u>47,068</u></u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets	689,191
Unrestricted	1,203,769
<b>TOTAL NET ASSETS</b>	<u><u>\$ 1,892,960</u></u>

The accompanying notes are an integral  
part of the financial statements.

**TOWNSHIP OF SEBEWAING**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	PROGRAM REVENUE		NET (EXPENSE) REVENUES & CHANGES IN NET ASSETS			
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b><u>Governmental Activities</u></b>						
General government	\$ 169,329	\$ 7,227		\$ (162,102)		\$ (162,102)
Public Safety	187,007	81,239		(102,168)		(102,168)
Highways and public improvements	356,067		\$ 3,600	(356,067)		(356,067)
Library	92,998	44,678		(39,356)		(39,356)
<b>Total Governmental Activities</b>	<b>\$ 805,401</b>	<b>\$ 133,143</b>	<b>\$ 6,842</b>	<b>(659,693)</b>		<b>(659,693)</b>
				</		

The accompanying notes are an integral part of the financial statements.



**TOWNSHIP OF SEBEWAING**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2007**

<b>ASSETS</b>	<b>GENERAL</b>	<b>EMERGENCY SERVICES</b>	<b>LIBRARY</b>	<b>FIRE EQUIPMENT SINKING</b>	<b>ROAD</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
Cash	\$ 732,374	\$ 75,475	\$ 71,668	\$ 151,026	\$ 101,289	\$ 1,131,832
Taxes receivable	3,245	2,554	1,284	641	10,288	18,011
Accounts receivable		32,817				32,817
Allowance for doubtful accounts		(28,069)				(28,069)
Prepaid insurance	10,921	14,296	2,981			28,199
Advance to other funds	10,120					10,120
<b>TOTAL ASSETS</b>	<b>\$ 756,660</b>	<b>\$ 97,073</b>	<b>\$ 75,933</b>	<b>\$ 151,667</b>	<b>\$ 111,577</b>	<b>\$ 1,192,910</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 34,226	\$ 7,307	\$ 5,535			\$ 47,068
Advance from other funds			10,120			10,120
<b>TOTAL LIABILITIES</b>	<b>34,226</b>	<b>7,307</b>	<b>15,655</b>			<b>57,189</b>
<b>FUND EQUITY:</b>						
Reserved	10,120					10,120
Unreserved	712,313	89,766	60,278	\$ 151,667	\$ 111,577	1,125,601
<b>TOTAL FUND EQUITY</b>	<b>722,433</b>	<b>89,766</b>	<b>60,278</b>	<b>151,667</b>	<b>111,577</b>	<b>1,135,720</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 756,660</b>	<b>\$ 97,073</b>	<b>\$ 75,933</b>	<b>\$ 151,667</b>	<b>\$ 111,577</b>	<b>\$ 1,192,910</b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SEBEWAING**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES  
TO GOVERNMENTAL ACTIVITIES NET ASSETS  
MARCH 31, 2007**

<b>Total governmental fund balances</b>	<b>\$ 1,135,720</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,600,229 less the accumulated depreciation of \$911,038.	689,191
Investment in Sebewaing Harbor Commission	68,048
<b>Net assets - governmental activities</b>	<b><u>\$ 1,892,960</u></b>

**TOWNSHIP OF SEBEWAING**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROAD</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>						
Taxes	\$ 100,468	\$ 77,335	\$ 38,878	\$ 19,419	\$ 311,547	\$ 547,646
Intergovernmental	76,183	3,600	3,242			83,025
Fines			14,609			14,609
Charges for services		81,239				81,239
Miscellaneous	51,422	2,484	39,943	339	5,437	99,625
<b>TOTAL REVENUE</b>	<u>228,073</u>	<u>164,657</u>	<u>96,672</u>	<u>19,758</u>	<u>316,984</u>	<u>826,143</u>
<b>EXPENDITURES:</b>						
Township board	3,899					3,899
Supervisor	14,471					14,471
Elections	5,815					5,815
Assessor	10,401					10,401
Clerk	47,460					47,460
Board of review	760					760
Board of appeals	120					120
Treasurer	11,957					11,957
Township hall and grounds	15,359					15,359
Drains at large	909					909
Zoning administrator	9,312					9,312
Airport	12,009					12,009
Emergency services		137,545				137,545
Library			86,977			86,977
Fire equipment sinking				300		300
Roads					354,105	354,105
Capital outlay	<u>24,524</u>	<u>7,750</u>	<u>-</u>	<u>300</u>	<u>354,105</u>	<u>32,274</u>
<b>TOTAL EXPENDITURES</b>	<u>156,998</u>	<u>145,295</u>	<u>86,977</u>	<u>300</u>	<u>354,105</u>	<u>743,675</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>						
	<u>71,075</u>	<u>19,362</u>	<u>9,695</u>	<u>19,458</u>	<u>(37,121)</u>	<u>82,468</u>
<b>FUND BALANCE - APRIL 1</b>	651,358	70,404	50,583	132,209	148,698	1,053,252
<b>FUND BALANCE - MARCH 31</b>	<u>\$ 651,358</u>	<u>\$ 70,404</u>	<u>\$ 50,583</u>	<u>\$ 132,209</u>	<u>\$ 148,698</u>	<u>\$ 1,053,252</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SEBEWAING**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007**

Net change in fund balances - governmental funds	\$ 82,468
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
*Statement of Activities*, the cost is allocated over their estimated useful lives  
and reported as depreciation expense. This is the amount by which  
depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 26,185	
Depreciation expense	<u>(86,249)</u>	(60,064)

Investment in Sebewaing Harbor Commission	7,000
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Equity loss of Sebewaing Harbor Commission	(8,662)
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Change in net assets of governmental activities	<u>\$ 20,742</u>
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**TOWNSHIP OF SEBEWAING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Description of Township Operations:**

The Township is located in Huron County, Michigan, and has approximately 3,000 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, ambulance service, highways and streets, library and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

**Reporting Entity:**

In evaluating how to define the Township of Sebewaing for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Sebewaing is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township of Sebewaing reporting entity.

**Excluded from the reporting entity:**

**Unionville Sebewaing School District** – This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Township of Sebewaing does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

**Sebewaing Harbor Commission** – The Township of Sebewaing along with the Village of Sebewaing created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Township of Sebewaing and the Village of Sebewaing along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Township of Sebewaing management has excluded the Harbor Commission from the reporting entity of the Township of Sebewaing. However, because of the financial interest and responsibility the Township of Sebewaing and the Village of Sebewaing equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Township of

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

Sebewaing and the Village of Sebewaing. The investment in the joint venture has been included in the General Fund as a capital outlay and further disclosures related to the investment in the joint venture are included in Note 5.

#### **Government-Wide and Fund Financial Statements:**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and library, are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements. The Township of Sebewaing currently has no long-term debt.

(CONTINUED)

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Emergency Services Fund is a special revenue fund used to account for revenue from charges for service and current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and current property taxes allocated to the operation of the Township of Sebewaing Library. The Fire Equipment Sinking Fund is a special revenue fund used to account for current property taxes allocated to purchase fire and ambulance equipment. The Road Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township of Sebewaing roads.

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)**

The Township reports no nonmajor fund types:

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

##### **Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2007 consist of property taxes, and billings for ambulance services. Taxes are deemed collectible in full. An allowance for doubtful accounts has been reported for ambulance service receivables.

##### **Capital Assets:**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 to 40
Machinery and equipment	3 to 7
Books, videos, and DVD's	5

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2007 was \$86,249. Capital asset acquisitions in the governmental funds totaled \$26,185 for the year ended March 31, 2007. A summary of the Governmental Fund capital assets at March 31, 2007 and 2006 follows:

(CONTINUED)



## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

##### Capital Assets: (Continued)

	<u>2007</u>	<u>2006</u>
Land	\$ 25,984	\$ 19,369
Buildings	751,736	746,107
Equipment	822,509	808,568
Less accumulated depreciation	<u>(911,038)</u>	<u>(824,789)</u>
<b>NET GOVERNMENTAL FUND CAPITAL ASSETS</b>	<b><u>\$689,191</u></b>	<b><u>\$749,255</u></b>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 25,734
Public safety	50,694
Library	<u>9,821</u>
Total depreciation expense – governmental activities	<b><u>\$ 86,249</u></b>

##### Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

##### Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### NOTE 2 – BUDGET COMPLIANCE:

The Township of Sebewaing Board follows these procedures in establishing the budgetary data reflected in the financial statements:

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)**

1. In accordance with the Township Act, prior to March 1, the Township of Sebewaing Clerk submits to the Township of Sebewaing Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township of Sebewaing Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

P. A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Sebewaing expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township of Sebewaing for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2007, the following expenditures were in excess of the amount appropriated for the year:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
<b>GENERAL FUND:</b>			
Zoning administrator	\$8,500	\$9,312	\$812
<b>FIRE EQUIPMENT SINKING FUND</b>	200	300	100

#### **NOTE 3 – DETAIL NOTES ON ALL FUNDS:**

A. The carrying amount of cash and deposits with financial institutions of the Township of Sebewaing amounted to \$1,131,832 at March 31, 2007. The total bank balance as of the same date was \$1,161,131. Deposits with financial institutions are categorized as follows:

# TOWNSHIP OF SEBEWAING

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

### NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

Amount insured by the FDIC	\$400,000
Uncollateralized	<u>761,131</u>
Total deposits with financial institutions	1,161,131
Cash on hand	<u>304</u>
<b>Total deposits and cash on hand</b>	<b><u>\$1,161,435</u></b>

Included in the total deposits and cash on hand is a money market fund with Cadre Institutional Investors Trust. The details at March 31, 2007 are as follows:

<u>ACCOUNT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>STANDARD &amp; POOR'S RATING</u>	<u>%</u>
(CIITMM) Money Market Series	\$429,765	0.0027	AAAm	100%
Total fair value	<u>\$429,765</u>			<u>100%</u>

Portfolio weighted average maturity 0.0027

1 day maturity equals 0.0027, one year equals 1.00

All deposits categorized as uncollateralized are the property of the Township of Sebewaing.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2007.

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. The Township has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Township's deposits and investments are within the authorization as set forth by the Township of Sebewaing. The Township's investment policy does not identify credit risk, custodial credit risk, concentration of credit risk, or interest rate risk.

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)**

B. The General Fund advanced \$70,120 to the Library for the purchase of a building that is adjacent to the Library in 1997. The Library used the additional space to expand the Library. The building also has residential rental apartment units. The terms of the loan are annual payments of at least \$6,000 including interest, at 4% per annum. The current balance is \$10,120. An amount equal to the unpaid balance of the advance has been reserved in the General Fund's Fund Balance.

C. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2006 tax levy is as follows:

	<b><u>ASSESSED VALUE</u></b>	<b><u>TAXABLE VALUE</u></b>
Real property-Regular roll	\$85,957,500	\$71,026,066
Personal property-Regular roll	<u>7,000,500</u>	<u>7,000,500</u>
<b>TOTAL</b>	<b><u>\$92,958,000</u></b>	<b><u>\$78,026,566</u></b>

D. The Township of Sebewaing has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Sebewaing reimburses the State of Michigan for all benefits charged.

#### **NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION:**

The Township of Sebewaing contributed to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all elected officials, full-time library employees and ambulance service employees of the Township of Sebewaing must participate in the pension plan from the date they are officially elected or hired to their respective position. Contributions made by the Township of Sebewaing vest immediately. An employee who leaves the employment of the Township of Sebewaing is entitled to his or her contributions made by the Township of Sebewaing if vesting requirements are satisfied. No voluntary contributions are allowed and 100% of the contribution is made by the Township of Sebewaing. As determined by local ordinance, the Township of Sebewaing is required to contribute 7.5% of the employee's gross earnings to the pension plan.

The Township of Sebewaing total current year payroll was \$150,706 and the total current year covered payroll was \$123,287 which includes elected officials, full-time library employees, and ambulance service employees.

(CONTINUED)

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### NOTE 4 – PENSION PLAN – DEFINED CONTRIBUTION: (CONTINUED)

During the year, the Township of Sebewaing's required and actual contributions amounted to \$9,247 which was 7.5% of its current-year covered payroll.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township of Sebewaing or its employees.

The Manulife Plan held no securities of the Township of Sebewaing or other related parties during the year or as of the close of the fiscal year ended March 31, 2007.

#### NOTE 5 - INVESTMENT IN JOINT VENTURE:

Currently, the Township of Sebewaing has invested \$68,048 in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Township of Sebewaing shares equal financial and oversight responsibility with the Village of Sebewaing. The investment in the Sebewaing Harbor Commission is accounted for using the equity method of accounting. The following is a statement of net assets of the Sebewaing Harbor Commission:

	<u>MARCH 31,</u> <u>2007</u>
<b>ASSETS:</b>	
Cash	\$ 1,362
Due from Sebewaing Township	975
<b>TOTAL CURRENT ASSETS</b>	<u>2,337</u>
<b>CAPITAL ASSETS - Land</b>	<u>103,340</u>
<b>OTHER ASSETS:</b>	
Marina lease	75,100
Accumulated amortization	(13,251)
<b>TOTAL OTHER ASSETS</b>	<u>61,849</u>
<b>TOTAL ASSETS</b>	<u>167,526</u>
<b>LIABILITIES:</b>	
Due to Village of Sebewaing	31,210
Deferred Revenue	221
<b>TOTAL LIABILITIES</b>	<u>31,431</u>
<b>NET ASSETS</b>	
Investment in capital assets	103,340
Unrestricted	32,756
<b>TOTAL NET ASSETS</b>	<u>\$136,095</u>

(CONTINUED)

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 5 - INVESTMENT IN JOINT VENTURE: (CONTINUED)**

The Village of Sebewaing and the Township of Sebewaing, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Township and Village advanced funds to the Harbor Commission which was to be used for the purchase of land at the site of the marina.

#### **NOTE 6 - RISK MANAGEMENT:**

The Township of Sebewaing, Huron County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$3,822,601 for real and personal property losses and \$5 million for liability losses. The Township of Sebewaing, Huron County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **Worker's Compensation:**

The Township of Sebewaing, Huron County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **Medical Insurance:**

The Township of Sebewaing purchased commercial insurance coverage for medical insurance for the head librarian.

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<b>REVENUE:</b>				
<b>Taxes:</b>				
Current property tax	\$ 99,900	\$ 99,900	\$ 100,468	\$ 568
<b>Total taxes</b>	<u>99,900</u>	<u>99,900</u>	<u>100,468</u>	<u>568</u>
<b>Intergovernmental:</b>				
State revenue sharing:				
Constitutional & Statutory	<u>76,000</u>	<u>76,000</u>	<u>76,183</u>	<u>183</u>
<b>Miscellaneous:</b>				
Interest earnings	4,000	4,000	34,574	30,574
Miscellaneous	6,200	6,200	10,582	4,382
Rentals-Airport	2,000	2,000	3,600	1,600
Gasoline-Airport	<u>2,000</u>	<u>2,000</u>	<u>2,665</u>	<u>665</u>
<b>Total miscellaneous</b>	<u>14,200</u>	<u>14,200</u>	<u>51,422</u>	<u>37,222</u>
<b>TOTAL REVENUE</b>	<u>190,100</u>	<u>190,100</u>	<u>228,073</u>	<u>37,973</u>
<b>EXPENDITURES:</b>				
<b>Township board:</b>				
Salaries and wages	4,100	4,100	3,022	1,078
Taxes-FICA	450	450	221	229
Meetings and education	2,000	2,000	186	1,814
Mileage	400	400	127	273
Pension contribution	300	300	343	(43)
<b>Total township board</b>	<u>7,250</u>	<u>7,250</u>	<u>3,899</u>	<u>3,351</u>
<b>Supervisor:</b>				
Salaries and wages	6,660	6,660	6,179	481
Pension contribution	1,500	1,500	1,212	288
Meeting and education	2,000	2,000	974	1,026
Mileage	700	700	401	299
Miscellaneous	200	200	104	96
Assessment roll preparation	7,000	8,000	5,603	2,397
Professional Fees	1,000	1,000		1,000
<b>Total supervisor</b>	<u>19,060</u>	<u>20,060</u>	<u>14,471</u>	<u>5,589</u>
<b>Elections:</b>				
Salaries and wages	2,500	5,000	4,556	444
Supplies	1,000	1,000	708	292
Mileage	500	500	396	104
Repairs and maintenance	1,000	1,000		1,000
Miscellaneous	<u>250</u>	<u>250</u>	<u>155</u>	<u>95</u>
<b>Total elections</b>	<u>5,250</u>	<u>7,750</u>	<u>5,815</u>	<u>1,935</u>

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

EXPENDITURES: (CONTINUED)	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>Assessor:</b>				
Salaries and wages	9,250	9,250	9,197	53
Miscellaneous	1,000	1,500	1,204	296
<b>Total assessor</b>	<u>10,250</u>	<u>10,750</u>	<u>10,401</u>	<u>349</u>
<b>Clerk:</b>				
Salaries and wages	9,250	9,250	8,374	876
Wages - Deputy clerk	1,500	1,500	828	672
Taxes - FICA	350	350		350
Pension contribution	2,500	2,500	686	1,814
Meetings and education	1,000	1,000		1,000
Pension administrative fees	1,000	1,000		1,000
Supplies	6,500	6,500	6,978	(478)
Professional fees	5,000	5,000	3,726	1,274
Dues and memberships	2,500	2,500	1,450	1,050
Telephone	3,000	4,200	3,735	465
Mileage	500	500	26	474
Printing and publishing	2,000	2,000	1,736	264
Insurance	21,000	22,000	19,225	2,775
Miscellaneous	5,500	5,500	696	4,804
<b>Total clerk</b>	<u>61,600</u>	<u>63,800</u>	<u>47,460</u>	<u>16,340</u>
<b>Board of review:</b>				
Salaries and wages	1,200	1,200	760	440
Miscellaneous	200	200	-	200
Education	250	250		250
Mileage	150	150		150
Supplies	50	50		50
<b>Total board of review</b>	<u>1,850</u>	<u>1,850</u>	<u>760</u>	<u>1,090</u>
<b>Board of appeals:</b>				
Salaries and wages	300	300		300
Miscellaneous	100	100	120	(20)
Mileage	100	100		100
<b>Total board of appeals</b>	<u>500</u>	<u>500</u>	<u>120</u>	<u>380</u>



**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<b>EXPENDITURES: (CONTINUED)</b>				
<b>Treasurer:</b>				
Salaries and wages	11,425	11,425	10,749	676
Wages - Deputy treasurer	250	250	72	178
Taxes - FICA	50	50		50
Pension contribution	1,000	1,000	875	125
Meetings and education	1,200	1,200		1,200
Supplies	1,500	1,500	209	1,291
Mileage	250	250	53	197
Miscellaneous	2,000	2,000	-	2,000
<b>Total treasurer</b>	<u>17,675</u>	<u>17,675</u>	<u>11,957</u>	<u>5,718</u>
<b>Township hall and grounds:</b>				
Supplies	1,000	1,000	818	182
Utilities	11,000	11,000	10,293	707
Repairs and maintenance	7,500	7,500	4,248	3,252
Miscellaneous	1,000	1,000		1,000
<b>Total township hall and grounds</b>	<u>20,500</u>	<u>20,500</u>	<u>15,359</u>	<u>5,141</u>
<b>Drains at large:</b>				
Contracted services	<u>1,800</u>	<u>1,800</u>	<u>909</u>	<u>891</u>
<b>Planning and zoning board:</b>				
Salaries and wages	<u>600</u>	<u>8,500</u>	<u>9,312</u>	<u>(812)</u>
<b>Airport:</b>				
Gas and oil	4,000	4,000	42	3,958
Gas - mower	1,000	1,000	660	340
Telephone	600	700	685	15
Insurance	6,000	6,000	4,896	1,104
Utilities	2,000	2,000	1,400	600
Repairs and maintenance	2,500	10,000	3,900	6,100
Taxes-State sales	500	500	116	384
Miscellaneous	500	500	310	190
<b>Total airport</b>	<u>17,100</u>	<u>24,700</u>	<u>12,009</u>	<u>12,691</u>
<b>Capital outlay:</b>				
Clerk	7,400	8,400	3,172	5,228
Township hall and grounds	40,000	40,000	15,115	24,885
Airport	2,000	2,000	6,237	(4,237)
<b>Total capital outlay</b>	<u>49,400</u>	<u>50,400</u>	<u>24,524</u>	<u>25,876</u>
<b>TOTAL EXPENDITURES</b>	<u>212,835</u>	<u>235,535</u>	<u>156,998</u>	<u>78,537</u>

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(22,735)</u>	<u>(45,435)</u>	<u>71,075</u>	<u>116,510</u>
FUND BALANCE-APRIL 1	651,358	651,358	651,358	
FUND BALANCE-MARCH 31	<u>\$ 628,623</u>	<u>\$ 605,923</u>	<u>\$ 722,433</u>	<u>\$ 116,510</u>

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>			<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<b>REVENUE:</b>				
Taxes-Current property tax	\$ 76,900	\$ 76,900	\$ 77,335	\$ 435
Intergovernmental:				
Grants from county	3,600	3,600	3,600	-
Charges for services	70,000	70,000	81,239	11,239
Miscellaneous - Interest earnings	1,500	1,500	2,484	984
<b>TOTAL REVENUE</b>	<u>152,000</u>	<u>152,000</u>	<u>164,657</u>	<u>12,657</u>
<b>EXPENDITURES:</b>				
<b>Ambulance :</b>				
Salaries and wages	40,500	50,500	51,118	(618)
Taxes-FICA	1,000	1,000		1,000
Pension contribution	3,000	3,000	5,138	(2,138)
Supplies	9,000	9,000	7,569	1,431
Professional fees	700	800	745	55
Physicals and medical	200	200	90	110
Telephone	2,000	3,000	2,641	359
Insurance	7,000	7,000	6,605	395
Repairs and maintenance	3,000	3,000	2,114	886
Miscellaneous	900	1,900	1,240	660
Mileage	800	800	856	(56)
Education and training	3,000	4,000	4,640	(640)
Billing fee	10,000	10,000	7,380	2,620
Capital outlay	8,000	8,000	6,457	1,543
<b>Total Ambulance</b>	<u>89,100</u>	<u>102,200</u>	<u>96,593</u>	<u>5,607</u>
<b>Fire Department:</b>				
Salaries and wages	17,000	17,000	17,649	(649)
Taxes-FICA	2,000	2,000	1,952	48
Supplies	2,500	2,500	2,057	443
Professional fees	750	750	700	50
Telephone	750	750	787	(37)
Gas and oil	5,000	5,000	4,489	511
Insurance	15,000	15,000	11,603	3,397
Repairs and maintenance	5,000	5,000	4,421	579
Miscellaneous	500	500	142	358
Mileage	2,000	2,000	2,129	(129)
Dues and memberships	200	200	220	(20)
Physicals and medical	300	300	335	(35)
Education and training	2,000	2,000	925	1,075
Capital outlay	8,000	8,000	1,293	6,707
<b>Total Fire Department</b>	<u>61,000</u>	<u>61,000</u>	<u>48,702</u>	<u>12,298</u>
<b>TOTAL EXPENDITURES</b>	<u>150,100</u>	<u>163,200</u>	<u>145,295</u>	<u>17,905</u>

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - EMERGENCY SERVICES FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,900</u>	<u>(11,200)</u>	<u>19,362</u>	<u>30,562</u>
FUND BALANCE-APRIL 1	70,404	70,404	70,404	
FUND BALANCE-MARCH 31	<u>\$ 72,304</u>	<u>\$ 59,204</u>	<u>\$ 89,766</u>	<u>\$ 30,562</u>

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - LIBRARY FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUE:</b>				
Taxes-Current property tax	\$ 38,000	\$ 38,000	\$ 38,878	\$ 878
Intergovernmental:				
State grant	3,900	3,900	3,242	(658)
Fines:				
Penal and book fines	16,000	16,000	14,609	(1,391)
Miscellaneous:				
Miscellaneous	3,000	3,000	2,589	(411)
Interest earnings	800	800	1,562	762
Contributions from private sources	5,000	5,000	5,723	723
Videos	5,000	5,000	7,162	2,162
Rent income - apartments	20,000	20,000	22,907	2,907
<b>TOTAL REVENUE</b>	<u>91,700</u>	<u>91,700</u>	<u>96,672</u>	<u>4,972</u>
<b>EXPENDITURES:</b>				
Salaries and wages	38,312	38,312	42,210	(3,898)
Employee benefits	10,388	10,388	5,772	4,615
Pension contribution	2,900	2,900	3,308	(408)
Supplies	3,000	3,000	3,058	(58)
Books, magazines and periodicals	9,983	9,983	8,673	1,310
Professional fees	1,350	1,350	150	1,200
Library participation fee	1,620	1,620	1,771	(151)
Telephone	900	900	881	19
Technology	800	800	606	194
Mileage	600	600	606	(6)
Insurance	4,552	4,552	4,398	154
Interest expense	645	645	645	0
Utilities	5,500	5,500	5,675	(175)
Repairs and maintenance	1,250	1,250	1,153	97
Miscellaneous	400	400	363	37
Capital outlay	1,500	1,500	-	1,500
Rental expenses-apartments	8,000	8,000	7,707	293
<b>TOTAL EXPENDITURES</b>	<u>91,700</u>	<u>91,700</u>	<u>86,977</u>	<u>4,723</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>9,695</u>	<u>9,695</u>
<b>FUND BALANCE-APRIL 1</b>	50,583	50,583	50,583	
<b>FUND BALANCE-MARCH 31</b>	<u>\$ 50,583</u>	<u>\$ 50,583</u>	<u>\$ 60,278</u>	<u>\$ 9,695</u>

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - FIRE EQUIPMENT SINKING FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUE:</b>				
Taxes:				
Current property tax	\$ 19,300	\$ 19,300	\$ 19,419	\$ 119
Miscellaneous - Interest earnings			339	339
<b>TOTAL REVENUE</b>	<u>19,300</u>	<u>19,300</u>	<u>19,758</u>	<u>458</u>
<b>EXPENDITURES:</b>				
Professional fees	200	200	300	(100)
<b>TOTAL EXPENDITURES</b>	<u>200</u>	<u>200</u>	<u>300</u>	<u>(100)</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>19,100</u>	<u>19,100</u>	<u>19,458</u>	<u>358</u>
<b>FUND BALANCE-APRIL 1</b>	132,209	132,209	132,209	
<b>FUND BALANCE-MARCH 31</b>	<u>\$ 151,309</u>	<u>\$ 151,309</u>	<u>\$ 151,667</u>	<u>\$ 358</u>

**TOWNSHIP OF SEBEWAING**

**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE-  
BUDGET AND ACTUAL - ROAD FUND  
FOR THE YEAR ENDED MARCH 31, 2007**

	<b>BUDGET</b>			<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>	<b><u>ACTUAL</u></b>	
<b>REVENUE:</b>				
Taxes - Current property tax	\$ 309,000	\$ 309,000	\$ 311,547	\$ 2,547
Miscellaneous - Interest earnings	<u>16,300</u>	<u>16,300</u>	<u>5,437</u>	<u>(10,863)</u>
<b>TOTAL REVENUE</b>	<u>325,300</u>	<u>325,300</u>	<u>316,984</u>	<u>(8,316)</u>
<b>EXPENDITURES:</b>				
Professional fees	300	300	200	100
Road brining	8,000	8,000	-	8,000
Brush spraying	500	500		500
Contributions to County Road Commission	346,000	346,000	353,905	(7,905)
<b>TOTAL EXPENDITURES</b>	<u>354,800</u>	<u>354,800</u>	<u>354,105</u>	<u>695</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(29,500)</u>	<u>(29,500)</u>	<u>(37,121)</u>	<u>(7,621)</u>
<b>FUND BALANCE-APRIL 1</b>	148,698	148,698	148,698	
<b>FUND BALANCE-MARCH 31</b>	<u>\$ 119,198</u>	<u>\$ 119,198</u>	<u>\$ 111,577</u>	<u>\$ (7,621)</u>

## Communication of Significant Deficiencies and Material Weaknesses

August 8, 2007

To the Board of Sebewaing Township,

In planning and performing our audit of the financial statements, as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Sebewaing Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

During the audit, we noted that the bank statements for Sebewaing Townships various bank accounts were not reconciled to the general ledger on a timely basis. Most of the problems encountered within the area of cash can be avoided if a proper system of checks and balances is incorporated into the Township's procedures. We recommend that all of the bank accounts be reconciled to the general ledger monthly and that all unusual reconciling items be promptly investigated and adjusted with adequate explanations.



Due to the limited number of people employed at the Sebewaing Township Library, many critical duties are combined and given to the available employees. Presently, a single individual prepares and signs checks, reconciles bank accounts, as well as maintains the general ledger. Also, the same person responsible for cash disbursements is responsible for handling and depositing cash receipts as well as posting to the general ledger. Employees who have both custodial and record keeping responsibilities for the same asset, creates a significant internal control weakness. While we understand that a complete segregation of duties is impractical for a small township library with limited personnel, we believe that some relatively minor changes could be made which would significantly improve controls. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible. We suggest that the duties of cash disbursements and cash receipts are separated from the duties of the bank account reconciliation.

During our audit, we found a few instances where the Township was not in compliance with P.A. 2 regarding budget procedures. The Act provides that a local unit of government not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2007, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>UNFAVORABLE VARIANCE</u>
<b>GENERAL FUND:</b>			
Zoning administrator	\$8,500	\$9,312	\$812
<b>FIRE EQUIPMENT SINKING FUND</b>	200	300	100

A final requirement of P.A. 2 is that the Township's budget be balanced. This means that the total estimated revenues including any available surplus from previous years equal or exceed estimated expenditures.

In order to avoid incurring expenditures in excess of the appropriated amounts, the Act requires that the budget be amended when necessary. This would include reducing the budgeted amount if actual revenues are less than the estimated revenues originally budgeted, and increasing the budget to allow expenditures in excess of the original budget if excess amounts are available for transfer within the fund or if additional revenues become available. This can only be done if there are periodic comparisons between budget and actual figures throughout the year. We recommend that monthly comparisons be made between budgeted and year-to-date actual revenue and expenditures. If it appears there are going to be unfavorable variances between the budgeted and actual year-to-date figures, the budget should be amended to eliminate the variance.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Sebewaing Township  
August 8, 2007

The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client we are auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

The personnel of Sebewaing Township have the capability to perform monthly internal accounting functions and reports as required by management. The personnel of Sebewaing Township do not have the expertise to prepare the annual financial statements and related footnotes in accordance with the method of accounting utilized in the external audit report. We believe this meets the definition of a material weakness under Statement on Auditing Standards 112.

Recently, 9 new auditing standards have been released and will become effective over the Township's next fiscal year. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach.

This communication is intended solely for the information and use of management, the Board of Sebewaing Township, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke & Faupel P.C.*  
Nietzke & Faupel, PC

August 8, 2007